

**MINUTES
of the
FOURTH MEETING
of the
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**September 20-21, 2012
El Morro Theater
Gallup, New Mexico**

The fourth meeting of the Economic and Rural Development Committee (ERDC) for the 2012 interim was called to order by Representative Debbie A. Rodella, chair, on Thursday, September 20, 2012, at 10:14 a.m. in the El Morro Theater in Gallup, New Mexico.

Present

Rep. Debbie A. Rodella, Chair
Sen. Bernadette M. Sanchez, Vice Chair
Rep. Ernest H. Chavez
Rep. Patricia A. Lundstrom
Sen. Richard C. Martinez
Sen. Howie C. Morales
Sen. David Ulibarri

Absent

Sen. Mark Boitano
Rep. Mary Helen Garcia
Sen. Mary Jane M. Garcia
Rep. Nate Gentry
Rep. Dianne Miller Hamilton
Sen. Clinton D. Harden, Jr.
Rep. Yvette Herrell

Advisory Members

Sen. Sue Wilson Beffort (9/20)
Rep. Sandra D. Jeff (9/20)
Sen. George K. Munoz (9/20)
Sen. John Pinto
Rep. William "Bill" R. Rehm
Rep. Richard D. Vigil (9/20)

Sen. Rod Adair
Sen. William F. Burt
Rep. Zachary J. Cook
Rep. George Dodge, Jr.
Sen. Timothy M. Keller
Sen. Carroll H. Leavell
Rep. James Roger Madalena
Rep. Andy Nuñez
Rep. Nick L. Salazar
Sen. John M. Sapien
Rep. Thomas C. Taylor

Guest Legislators

*Rep. Eliseo Lee Alcon
Rep. Alonzo Baldonado (9/20)
Sen. Cisco McSorley (9/20)

*Named as a voting member for this meeting, added as advisory for the remainder of the interim.

(Attendance dates are noted for members who did not attend both days of the meeting.)

Staff

Peter Kovnat, Legislative Council Service (LCS)

Pam Stokes, LCS

Alex Tapia, LCS Intern

Guests

The guest list is in the archived meeting file.

Handouts

Copies of all handouts are in the archived meeting file.

Thursday, September 20**Call to Order**

Representative Rodella asked committee members and staff to introduce themselves, and they did. Representative Rodella passed the gavel over to Representative Lundstrom to chair the meeting. Representative Lundstrom took a moment to acknowledge the service of David Dallago, chair, McKinley County Board of Commissioners, whose term limit is up this year.

Welcoming Remarks

Mr. Dallago welcomed the committee to Gallup and recognized the importance of economic development to the City of Gallup. Mr. Dallago took a minute to highlight a few of the recent achievements in Gallup contributing to growth in the job market, including a lot of construction and the addition of two refineries and two coal mines. He indicated that the increased efforts of the state, city and county governments toward working together are helping to move future plans forward. Mr. Dallago stated that although McKinley County does not have the money and population of the larger counties, he hopes that the committee will keep McKinley County in mind during the upcoming legislative session.

Allan Landavazo, mayor pro-tem, City of Gallup, provided some history on Gallup, reaching back to its Native American roots. Gallup's namesake, David Gallup, decided to build a railroad through the area to expand the intercontinental railroad. El Morro Theater opened in August of 1928 and was designed by Carl Boller and the Boller brothers. Originally, the theater had seating for 900 people, complete with a balcony and an orchestra pit. Due to renovations, today the theater can accommodate 470 people. In 1988, El Morro Theater was added to the National Register for Historic Places. Mayor Landavazo believes that the theater will have a large economic impact on Gallup in the future.

Tommy Haws, president, Greater Gallup Economic Development Corporation (GGEDC), stressed the importance of using the assets of the community to help develop the community and to create economic opportunities. Mr. Haws noted that McKinley County has very high unemployment rates and that Representative Lundstrom and Senator Munoz have been working to foster economic development in Gallup. A few years ago, the decision was made to take economic development out of the government sphere and to put it into the private sector. One of the public/private incentives was to form a partnership with the Association of General

Contractors and the University of New Mexico-Gallup (UNM-Gallup) in order to create a job training program. This first public/private partnership agreement was brought to the committee to witness its signing.

Representative Lundstrom asked for the signatories to approach the front of the room to sign the agreement. Vicki Mora, chief executive officer, Association of General Contractors, and Wynn M. Goering, interim executive director, UNM-Gallup, were among those who signed the document.

Representative Rodella praised the collaboration that this signing represented and expressed hope that this type of partnership will occur in other areas of the state. She recognized this as a great opportunity to be witnessed by the ERDC.

Update by Burlington Northern Santa Fe (BNSF) Railway Company and GGEDC

LaTonya Finch, regional manager of economic development, BNSF Railway Company, addressed the committee regarding the importance of the railroad to New Mexico. Ms. Finch believes that Gallup is a strategic location for BNSF because of its proximity to oil and gas production. New Mexico is bordered on the east and west by metropolitan markets that are producing at a significant level. BNSF recently conducted a study that identified that large amounts of traffic and business development are occurring, but are lacking the appropriate transportation infrastructure to facilitate that growth.

Ms. Finch said that it is difficult to identify one landscape that could provide the space for such infrastructure. After working with different communities, including tribal areas, BNSF found land within the Navajo Nation that would support the infrastructure. The industrial park is currently under development, with a start date of August 2013 for construction. The first wave of development will create jobs and draw new customers into the area. BNSF is looking at moving forward while continuing to work with constituents and the legislature to change the landscape of economic development. The message Ms. Finch wanted to impress on the committee is that infrastructure is an economic engine and to recognize the value of the U.S. supply chain, which New Mexico has the opportunity to tap into.

Questions

A member from the committee asked Ms. Finch if BNSF will be using the tax credits available for the Gallup project. Ms. Finch replied that no tax credits are being sought, but there will need to be some capital investments to access routes.

Another member asked if BNSF would be willing to produce a memorandum of understand regarding job training. Ms. Finch said that conversations surrounding training centers have already taken place and BNSF is willing to make that commitment.

A member of the committee inquired about other areas, such as Belen, for potential projects in the state. Ms. Finch answered by saying that BNSF is looking at working with an existing developer in the area with the goal of moving Belen forward and attracting users for the facility. Rural economic development is changing the landscape, and the job of BNSF is to put

locals to work and to help the communities in which it is working.

Approval of Minutes

Motion 1

Upon a motion by Representative Rodella, seconded by Senator Sanchez, the committee voted unanimously to adopt the minutes from the third meeting of the ERDC.

Lunch

Lindsey Mapes, executive director, Gallup Business Improvement District (BID), provided for the committee a brief introduction on the BID. The BID will not be asking the legislature for funding this upcoming session but will ask for support in the future. Ms. Mapes told the committee that the BID is hoping to make the Route 66 corridor safer by working with the Department of Transportation.

As members walked to lunch at Sammy C's, a local downtown restaurant, they were provided with updates on the BID. During lunch, members of community organizations addressed the committee with their updates and needs.

New Mexico Partnership

Sean Ormand, vice chair, New Mexico Partnership, discussed the goals of the organization and the need for New Mexico to seek out businesses to come into the state. The mission of the New Mexico Partnership is to encourage and assist in the location of new industries and businesses to New Mexico and to expand existing businesses. The New Mexico Partnership was established in 2003 and is a public/private sector approach to engage the business community and provide flexibility in marketing. It is under the direction of 15 board members appointed by the governor and includes the secretary of economic development and one business representative and one economic development professional from each regional planning division.

Joe DiGregorio, Region 1 Board member, New Mexico Partnership, told the committee of his personal background as an entrepreneur and businessman. Mr. DiGregorio stressed the importance of jobs in communities and that customers are the key to the survival of a small business. Mr. DiGregorio requested that the committee consider directing more money to economic development.

Steve Vierck, president and chief executive officer, New Mexico Partnership, gave the committee an update for the last quarter and answered questions about aerospace initiatives that the committee had raised at the last ERDC meeting. The New Mexico Partnership is currently working on a diverse group of projects with target industries that include: advanced manufacturing; aerospace and defense; back office and technical support; digital media; emerging technology; energy and natural resources; logistics, distribution and transportation; and value-added agriculture.

Mr. Vierck shared some key findings from recent sales missions in Chicago, Minneapolis/St. Paul, Dallas, Phoenix, Cleveland/Columbus and Northern California. The New Mexico Partnership has discovered that there is a keen interest in existing buildings and rapid permitting as companies have been delaying expansions. This is not advantageous to New Mexico due to the state's lack of infrastructure. New Mexico Partnership also found that companies are looking for a bilingual work force, a strength in New Mexico that should be capitalized on. Mr. Vierck also talked about marketing initiatives that the New Mexico Partnership is now employing to attract companies to New Mexico. The partnership's calendar has recently been expanded to make it more congruent with the needs of communities, adding some trade shows to increase the number of prospects in the state. Mr. Vierck informed the committee that New Mexico ranks forty-fourth in the U.S. in terms of economic development investments.

Questions

A member of the committee asked about New Mexico's wealth of natural resources and what the partnership is doing to promote mining. Mr. Ormand responded that the cost of extracting minerals and federal regulations hamper the expansion of these industries. There is a need to cut back the roadblocks that prevent companies from coming into the state. Mr. Vierck added that energy and natural resources are abundant in New Mexico, with the state being second in the nation in solar energy, as well as having wind energy and nuclear power possibilities. New Mexico has a lot of potential, which needs to be looked at carefully.

In response to a question from the committee regarding the tax code's impact on small businesses, Mr. Ormand explained that there are a lot of soft costs in addition to regulatory expenses that make it difficult for small businesses. Business owners need help navigating those costs, lowering the rates and dealing with loopholes. Mr. Vierck believes that the core of the system is the success of small businesses. As a business attraction agency, the majority of people New Mexico Partnership talks to are small businesses looking to expand. Although New Mexico Partnership deals primarily with business attraction, there are many programs out there focusing on promoting the survival of small businesses, especially at the Economic Development Department.

Discussion regarding the prevention of businesses leaving the state after taking advantage of tax breaks and incentives occurred among members of the committee with input from the presenters. The suggestion was made by a committee member that there should be clawbacks regarding these incentives. Another member added that sunset clauses being instituted would encourage updates and help with the retention of these businesses.

The Impact and Importance of Tourism to Rural New Mexico and the Need for Adequate Sustainable Funding

Sharon Schultz, chief executive officer, Tourism Association of New Mexico, presented to the committee the background of the association, whose mission is to serve as the advocate, educator and unified voice for New Mexico's tourism industry. As the fourth-largest private sector employer, tourism adds \$5.5 billion in direct revenue in New Mexico annually. Ms.

Schultz emphasized the point that tourism matters to everybody, even those that are not directly connected to the tourism industry. In 2011, \$565 million in taxes was generated from tourism and contributed to state and local governments' ability to pay for essential services, including public education, roads and health care. Ms. Schultz mentioned some of the current initiatives that the Tourism Association of New Mexico is undertaking, such as "State of Enchantment-Spirit of Service" and "New Mexico True".

Also mentioned during the presentation was the catastrophic effects of dramatic cuts to tourism funding. Ms. Schultz explained that when Colorado cut its tourism investment to zero, its share of U.S. travel plummeted 30% within two years, creating a revenue loss of more than \$2 billion annually. Following up on that statement, Ms. Schultz provided examples of states that had invested in their tourism advertising and received great returns.

Questions

Responding to inquiries about possible legislation in the upcoming session, Ms. Schultz replied that the Tourism Association of New Mexico would not be presenting legislation but that the committee would likely get legislative requests from the Tourism Department. Ms. Schultz emphasized studies that have proven the worth of the Tourism Department and that her organization will continue to fight for an increase in funding.

A member of the committee voiced support for appropriations focused on small communities in rural New Mexico that possess a lot of culture and heritage, suggesting signs that display historical markers and information as tourist attractions.

Senator McSorley requested from the Tourism Association of New Mexico a survey or report that would record the impact of investments into tourism during the last year of Governor Johnson's administration and Governor Richardson's administration.

Telecommunications Issues in New Mexico

Leo Baca, state legislative affairs director, CenturyLink, addressed the committee on matters relating to the impact of CenturyLink on economic development in New Mexico. Mr. Baca explained the growing concern of businesses such as CenturyLink with large national competitors such as Verizon and Sprint. CenturyLink is currently a highly regulated company in a mostly unregulated communications environment. In September 2011, CenturyLink filed a petition with the Public Regulation Commission (PRC) requiring it to determine if public telecommunications services are subject to "effective competition". If CenturyLink's markets are found to be effectively competitive, the PRC must determine the appropriate regulatory changes to "modify, reduce or eliminate rules, regulations and other requirements applicable to the provisions of such service". The PRC must also ensure that competitors in the same market are regulated under the same standards. If CenturyLink's markets are found to be effectively competitive by the PRC, CenturyLink is seeking to: modify existing regulation of service quality of retail telecommunications services throughout New Mexico to be in parity with all competitive local exchange carriers (CLECs) in the state; have recognition of the power of

competitive markets to produce increased innovation and investments at fair prices; and achieve regulatory parity with CLECs on minimum pricing rules.

Mr. Baca made the case that New Mexico markets are highly competitive and provided examples of government grants and stimulus funds that support competition in much of CenturyLink's service area in New Mexico. Mr. Baca also mentioned the need for Universal Service Fund (USF) reform, stressing that USF reform should be about consumers and not companies.

Charlie Ferrell, executive director, New Mexico Exchange Carrier Group (NMECG), provided the committee with an overview of the organization and the services it provides to rural New Mexico. The NMECG is an industry association composed of 11 rural telecommunications companies serving 63% of the state's geography. Mr. Ferrell also discussed reforms of the USF and proposed changes to several sections of the Rural Telecommunications Act of New Mexico to meet the objectives of House Joint Memorial 9 from the 2012 session. The NMECG will be asking for the support of the committee regarding changes in the statute.

John Badal, chief executive officer, Sacred Wind Communications (SWC), described the business and its mission to bring service to the Navajo Nation and other underserved populations of the state. SWC's customers are below the national average in many categories, including education and income. Mr. Badal informed the committee that SWC uses an innovative network design that is the most versatile and affordable for the terrain. In addition, SWC has been the recipient of numerous national awards and praised as being a "poster child" for the USF. Mr. Badal shared the view of Mr. Ferrell regarding changes in legislation. SWC is seeking an amendment to Section 63-9H-1 NMSA 1978 to remove an ambiguity in state law, as well as statutory updates to Section 63-9H-6 (L) NMSA 1978 and improvements to Sections 63-9H-4, 63-9H-6 (L) and 63-9H-7 NMSA 1978.

Questions

Representative Lundstrom requested Mr. Ferrell to provide a flowchart of the different agencies related to telecommunications, indicating where each decision is made and illustrating the stance of the NMECG. Another member suggested the potential need for two separate bills and advised Mr. Ferrell to work with staff in drafting the legislation.

Senator Beffort requested a list of the different funds detailing how much is going into the funds and how the funds receive money. Discussion occurred among members of the committee about previous actions taken by the ERDC in regard to the PRC and the Federal Communications Commission.

Motion 2

A motion was made by Representative Lundstrom to have staff draft a letter regarding regulation by the PRC. The motion was seconded by Senator Sanchez.

Regional Tourism Strategies: Global Center for Cultural Entrepreneurship (GCCE)

Tom Aageson, executive director, GCCE, began his presentation by explaining the global movement toward cultural economies and cultural industries. Mr. Aageson informed the committee that cultural economies are broad, and they include film and education. The GCCE is currently working on a strategy to create a cultural corridor to build a tourist attraction from Chama to Belen. This would offer travelers more options and provide larger incentives for people to explore rural areas. Mr. Aageson described a newer trend toward "agritourism", a fast-growing, value-added agricultural strategy to encourage exploration of vineyards, farms, community gardens and mazes. The GCCE supports and sponsors events and artisans in rural areas and provides the necessary tools for people seeking authentic experiences. There has been a trend of people wanting to go deep into communities, and creative tourism is about inviting people to come in to take classes or lessons with artisans. Mr. Aageson explained that this type of tourism is good for local economies, since a five-day class means five nights in the community, spending money on food, hotels and other travel expenses.

Alice Loy, co-founder, GCCE, discussed some of the current projects that the organization is working on, including PowerUp!, GCCE Fellows, Market Links, Northern New Mexico Cultural Corridor and the Sustainable Native Communities Collaborative. Part of the GCCE's goal is to teach people to use email and computer programs to use resources to promote their businesses and events. More than half of New Mexico businesses do not have a web site, a tool that keeps small businesses competitive and helps them to access new markets. Ms. Loy expanded on the topic of agritourism, citing it as the fastest-growing commodity in agriculture. New Mexico is unique with acequias, indigenous languages, food and historical landmarks that provide great opportunities for communities.

Motion 3

A motion was made by Representative Lundstrom to send letters to the Economic Development Department, the Tourism Department, and the New Mexico Department of Agriculture about adding a link from their respective web sites to the GCCE web site. The motion was seconded by Representative Alcon.

Questions

A member of the committee asked what opportunities are available for small farms in New Mexico. The presenters answered that there are endless possibilities such as camping, corn mazes, renting farms out for photography classes, partnering with local chefs, wagon pulls, renting to writers and creating internships on farms. Ms. Loy added that tourists like places where they can also purchase items, such as vineyards or the lavender farm in Abiquiu.

Recess

The committee recessed for the day at 5:20 p.m.

Friday, September 21

Reconvene

The ERDC meeting was reconvened at 9:03 a.m. by Representative Rodella. Committee members moved to the audience seating to watch a short film by Adventure Gallup and Beyond. After the film, the committee members returned to their seats to proceed with the meeting. Representative Lundstrom continued to chair the meeting.

Adventure Gallup and Beyond: Its Impact and Its Model

The film shown by Adventure Gallup and Beyond was a promotional feature about the endurance cycling race "24 Hours in the Enchanted Forest", just outside of Gallup. The Gallup/McGaffey area will also be the host to the 2013 and 2014 National 24-Hour Mountain Bike Championships.

Karl Lohman, vice president of the board of directors, Adventure Gallup and Beyond, explained that the strategy of Adventure Gallup and Beyond is to engage youth to build trails and to work. Mr. Lohman, also the director of the Gallup Youth Conservation Corps, told the committee that it is important to ensure public access to new assets created by the corps. As part of the project, 465 tons of trash were removed from the area, restoring the open spaces and engaging the youth work force as full players in the community, while opening potential gateways for careers.

Evan Williams, deputy director, Northwest New Mexico Council of Governments, added that the initiative is about tourism and economic development through tourism, specifically adventure tourism. Adventure tourism includes adventure sports, cultural tourism, museums and the arts, as well as agritourism and eco-tourism. Tourists are drawn to New Mexico for activities such as hiking, running, horseback riding, boating and cross-country skiing, all of which are considered participatory. Adventure tourism also includes spectacular activities like rodeos and ballooning. In 2011, the legislature made Gallup the adventure capital of New Mexico. Mr. Williams provided the committee with some background and history of Adventure Gallup and Beyond, concluding by explaining the group's current project working with the U.S. Forest Service to develop over 200 miles of trails in the Zuni forest.

Ms. Mapes, Zia Rides, commented that the economic benefits of 24 Hours in the Enchanted Forest are not limited to the actual event. Mountain bikers, for example, come out prior to races to ride the trails, spending money in the community during their stay. The national race next year will attract the top mountain bikers from all over the world and will be featured in international magazines.

Olin Clawson, president, Adventure Gallup and Beyond, ended by affirming that these assets are something that Gallup has always had. Adventure Gallup is now pairing them up and creating value from them.

Questions

A member of the committee commented on Adventure Gallup and Beyond's work to expand and diversify tourism in Gallup from cultural tourism. The member stressed the importance of capital outlay funds and their use to develop and promote tourism throughout the state. Projects started from capital outlay funds are much bigger than they seem at the time and can be the start of new markets for the region.

New Mexico Oil and Gas Association (NMOGA): Economic Development in Rural Areas

Kent Cravens, director, governmental affairs, NMOGA, presented to the committee regarding the status of the oil and gas industry in New Mexico. Mr. Cravens informed the committee that the industry is doing well in some areas, but other areas such as the northwest part of the state, are not doing as well. The oil and gas industry is a large contributor to state coffers, yielding around \$6 million a day in state revenue both directly and indirectly.

Mr. Cravens continued by stating that multiple opportunities for the oil and gas industry lie in the frontier areas of New Mexico and remain a real interest. The difficulty remains in the differences among counties — major players in land use agreements, roads, noise ordinances, dust and surface water. There is currently a patchwork of ordinances created by the counties with a lack of communication and trust between the county commissioners and the state. Mr. Cravens noted that no structure at all can be just as limiting as too much regulation. The goal for NMOGA is to foster dialogue among the counties, industries and the state in order to create some structure. The NMOGA is seeking the help of the legislature with this dialogue.

Questions

A member of the committee asked about the potential for oil and gas in some of the counties. Mr. Cravens responded that there is not enough potential in any one county, but collectively there is a lot of potential throughout the state. Mr. Cravens added that ground water remains a main concern in terms of drilling, but with the current technology, drilling goes beyond the water table, thus eliminating ground water contaminations. The member of the committee suggested educating the public about the industry and new technologies.

Discussion among the committee members and Mr. Cravens occurred regarding the revision of the federal Oil and Gas Prospecting Act of 1935 and the role of the state in establishing these regulations. The creation of a task force to work on these issues was suggested by members as well as collaboration with other committees such as the House Energy and Natural Resources Committee and the interim Radioactive and Hazardous Materials Committee.

Representative Rodella requested staff to draft a memorial requesting that the oil and gas industry and other stakeholders work together to come up with some solutions to be sponsored by the committee. Other members can be part of this memorial if they choose.

Inter-Tribal Indian Ceremonial Association: Economic Impact of Indian Arts and Crafts

Tammy Barton-Damon, board member, Inter-Tribal Indian Ceremonial Association, shared with the committee the background of the association. August 2012 marked the ninety-first annual celebration of the Intertribal Indian Ceremonial, held in Gallup each summer since 1922. The ceremonial is an event that draws indigenous groups from the U.S., Canada and Mexico to share their diverse culture and heritage, showcasing traditional dances, crafts, an all-Indian rodeo and powwows. The ceremonial brings tourists from around the world to Gallup, with its world-renowned reputation for authenticity and quality. Over \$2.5 million in art is submitted each year, stimulating the Gallup economy and preserving cultural heritage. The Inter-Tribal Indian Ceremonial Association is working on getting more efficient and structured to continue to improve each year as it approaches its 100-year anniversary.

Adjournment

There being no further business before the committee, the fourth meeting of the ERDC adjourned at 11:00 a.m.

Tour of the Richardson's Trading Post: Economic Impact of Indian Arts and Crafts

The members of the committee and staff toured Richardson's Trading Post.